

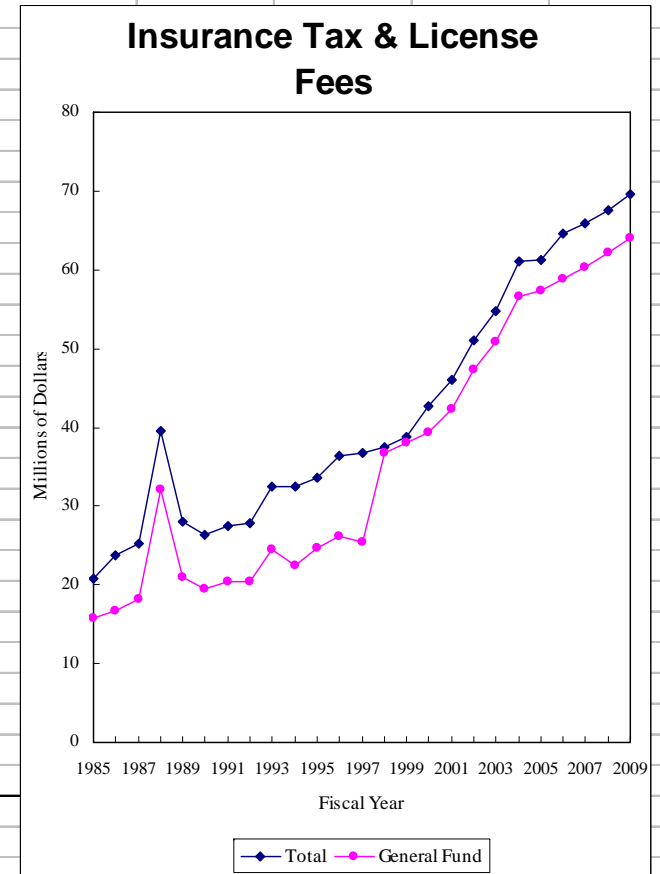
Data

The state accounting system provides historical collection data for the various components needed for the analysis. This includes collections of insurance premium taxes, genetics program fees, and various general fund and state special revenue fees. The State Auditor's Office provides historical data on offsets and refunds as well as estimates for these items for the 3-year period.

Analysis

Because offsets and refunds can vary substantially, the technique used to estimate the premium tax revenue component of this source begins by adding the offset and refund amounts to the amounts shown on the state accounting system. A regression analysis is run on this historical data to derive a proxy for total premium taxes for the years to be estimated. Because premium tax revenue collections do not vary widely year to year, this technique results in a good "fit". A growth rate for each year is calculated and applied to each previous year to derive the estimate for insurance premium tax revenue.

		Total	General Fund	GF
	Fiscal	Collections	Collections	Percent
	Year	Millions	Millions	Change
A	1985	20.797571	15.691565	Not App.
A	1986	23.759335	16.780399	6.94%
A	1987	25.299537	18.245085	8.73%
A	1988	39.564932	32.047077	75.65%
A	1989	28.085448	20.882814	-34.84%
A	1990	26.430389	19.446368	-6.88%
A	1991	27.400168	20.438058	5.10%
A	1992	27.767615	20.387391	-0.25%
A	1993	32.536113	24.463587	19.99%
A	1994	32.506094	22.510848	-7.98%
A	1995	33.662134	24.600092	9.28%
A	1996	36.388114	26.132824	6.23%
A	1997	36.813468	25.341540	-3.03%
A	1998	37.561196	36.813041	45.27%
A	1999	38.848530	38.137472	3.60%
A	2000	42.617531	39.333537	3.14%
A	2001	45.951678	42.297647	7.54%
A	2002	51.083956	47.290738	11.80%
A	2003	54.789956	50.809600	7.44%
A	2004	61.063242	56.532929	11.26%
A	2005	61.289844	57.308425	1.37%
A	2006	64.521416	58.794762	2.59%
F	2007	65.984000	60.241000	2.46%
F	2008	67.599000	62.129000	3.13%
F	2009	69.541000	64.071000	3.13%



Forecast Methodology:



LFD Mission Statement

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.

Taxes in Brief...



Insurance Tax & License Fees

November 2006

Fiscal Pocket Guide



Revenue Description:

The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Gross underwriting profit is essentially insurance premium income. In addition, various insurance and license fees are also collected.



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Revenue & Taxation Policy
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Statutory Reference:

- Tax Rate (MCA) – 33-2-705(2), 33-2-311, 33-28-201(1&2), 50-3-109(1)
- Fee Rate (MCA) – 33-2-708(1&2), 33-14-201(2), 33-2-712, 33-38-105
- Tax Distribution (MCA) – 33-2-708(3), 33-2-712, 50-3-109(1)
- Date Due – March 1st each year (33-2-705 (1), 33-2-712, 33-28-201(1&2)). Quarterly payments due the 15th of April, June, September, and December (Administrative Rules 6.6.2704, 6.6.2705)

Applicable Tax Rate(s):

The current tax rate is 2.75% of net premiums (including cancellation and return premiums) on policies sold in Montana. In addition to this tax, there is a 2.5 % tax on the fire portion of net premiums for selected risks. For each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay \$1.00 to the State Insurance Commissioner from October 1, 2005 through June 30, 2007. After that time, the fee is \$0.70. This fee is deposited to the state special revenue fund and used to fund the statewide genetics program established in statute (50-19-211, MCA). Senate Bill 132 (passed by the 1999 legislature) eliminated many disparate fees on insurance companies, which had partially been deposited into the general fund, and replaced them with a single company annual fee of \$1,900. Revenue from this fee is deposited to the state special revenue fund for administration of insurance activities.

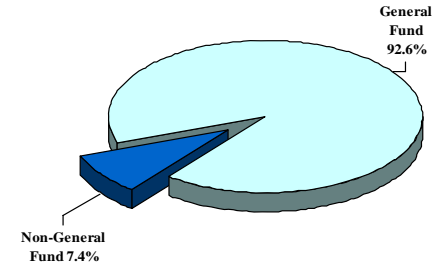


Distribution:

Insurance tax proceeds from the tax on surplus lines premiums, net premiums, captive insurance company premiums, and fire insurance premiums are deposited into the general fund. License fees and the 1% stamping fee on surplus lines insurance premiums are deposited into the state special revenue fund for use by the State Auditor. Beginning October 2005, the genetic fee revenue is deposited to the state special revenue fund.

Distribution Methodology:

Based on Actual Fiscal 2006



Collection Frequency: Quarterly and annually

% of Total General Fund Revenue:

FY 2004 – 4.11%

FY 2005 – 3.74%

FY 2006 – 3.44%

Revenue Estimate Methodology:

The large majority of insurance tax and license fee revenue is from premium taxes with minor amounts from a multitude of different fees. Estimates are made for these components based on growth factors and then summed. This total is reduced by estimates of refunds and guarantee offsets. Guarantees are amounts that members of the Montana comprehensive health associations are required to pay into a reserve account (up to 1 percent of the total disability insurance premium received from Montana residents). The amount of these payments reduces (offsets) premium tax liabilities dollar for dollar (33-22-1513(7), MCA).